

# The Nebraska Department of Revenue

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The Nebraska Department of Revenue was created effective January 1, 1970, with the State Tax Commissioner as its chief executive officer.

The State Tax Commissioner is responsible for the administration of Nebraska revenue laws. Tax programs administered by the State Tax Commissioner include but are not limited to income tax, sales and use tax, motor fuels taxes, and numerous miscellaneous taxes.

The Nebraska Department of Revenue strives to provide taxpayers with the most efficient and economical administration of the Nebraska revenue laws.

The Nebraska Department of Revenue is comprised of the Administration and integrated divisions.

## Administration

Administration includes the State Tax Commissioner, Director of Administration/Finance, Hearing Officer, Personnel Administrator, Legislative Liaison, Special Assistants, and Administrative Assistant to the State Tax Commissioner. They provide the administrative support necessary for carrying out the directives of the State Tax Commissioner.

## Audit

The Audit Division initiates, implements, and controls audits for all tax programs administered by the Nebraska Department of Revenue, except those administered by the Charitable Gaming and Motor Fuels Divisions. The Audit Division also fulfills the statutory responsibility of the State Tax Commissioner to audit the Auditor of Public Accounts.

The audit activities of the division are conducted on a nationwide basis and are not limited to taxpayers residing within Nebraska. All taxpayers required to file a return with the State of Nebraska, regardless of where their records are maintained, are eligible for audit selection. This applies to all taxpayers, including businesses and individuals.

The division prepares agreements with taxpayers allowing the use of the state's economic development tax incentives and reviews the claims for refunds and credits allowed by those agreements.

The Audit Division participates in informational exchange agreements with the Internal Revenue Service, the Multistate Tax Commission, and other states.

## Charitable Gaming

The function of the Charitable Gaming Division is to oversee all charitable gaming activities in Nebraska, ensuring fair play and collection of gaming revenues. Bingo, lottery by pickle card, county and city lottery, gift enterprise, and lottery and raffle activities conducted by nonprofit organizations are all regulated by the division.

Responsibilities of the division include audits of licensees, licensing reviews, testing and approval of gaming equipment, and development of necessary forms, regulations and legislative proposals. The division also represents the department at administrative hearings and assists the Attorney General and county attorneys in litigation involving gaming matters.

The division provides educational materials to the public outlining the statutory provisions and reporting requirements necessary to conduct legal gaming activity. Educational workshops are held for licensees, and training materials are developed and presented to the public and law enforcement units.

## Field Services

The Field Services Division provides taxpayer assistance and education, enforcement of the tax laws, and tax collection services. It coordinates communication between taxpayers and the department through offices located in six Nebraska cities.

The Field Services Division informs taxpayers of their rights and responsibilities under the state's tax laws, and also assists them in preparing returns for all tax programs.

The division takes corrective action when there are failures or irregularities in registration and reporting. The Collections area is responsible for obtaining the payment of delinquent taxes for all of the tax programs administered by the Department of Revenue, except motor fuels taxes.

Field Services Division enhances compliance efforts by developing and presenting tax-related educational materials. The division provides tax information and offers training to taxpayers through industry association meetings, civic organizations, and tax practitioners.

## **Finance and Information Services**

Within the Finance and Information Services Division, finance prepares the state budget request in conjunction with the State Tax Commissioner, accounts for the day-to-day expenditures of the department and prepares monthly reports for management. Finance is also responsible for establishing and implementing internal accounting controls. They perform the cashing function for all the cash and checks received by the Nebraska Department of Revenue.

Systems and Micro Support design, coordinate, and schedule all mainframe and LAN data processing operations within the Department of Revenue and serve as the liaison between this agency and the Central Data Processing Division of the Department of Administrative Services.

They analyze new and existing tax programs and develop systems in accordance with statutory requirements and departmental policy. A vital function of this division is implementing computer hardware and software improvements for the department.

All electronic commerce functions for the department are handled by this division.

## **Investigation**

The Investigations Division serves as the investigative arm for the State Tax Commissioner and the entire Nebraska Department of Revenue, to include both external and internal investigations. As a result, the Investigation Division works closely with the Charitable Gaming Division, the Lottery Division, the Motor Fuels Division, the Field Services Division, and the Legal Division of the Department, in conducting these investigations. Also a part of the Investigations Division is the Inspections Section which conducts regulatory-type on-sight inspections involving the Gaming Division, the Lottery Division, and the Field Services Division.

The Investigations Division's specific functions are to conduct investigations, some of which are pursued criminally, some administratively and some both criminally and administratively for the aforementioned divisions; to conduct background investigations, both for prospective licensees, prospective vendors and department employees as related to the Lottery and Gaming Division; to conduct on-sight inspections involving the printing of lottery tickets; to conduct on-sight regulatory-type inspections involving licensees, contractors and businesses for compliance purposes; to maintain a working relationship with law enforcement agencies at all levels, to include prosecuting attorneys; to provide training to various groups, to include law

enforcement, nonprofit organizations, and retail businesses, to name a few.

## **Legal**

The Legal Division serves as internal legal counsel for the State Tax Commissioner and the entire agency. This division represents the Nebraska Department of Revenue at all formal hearings before the State Tax Commissioner and represents the department before the State Tax Board and Quality Jobs Board.

The Legal Division is responsible for initiating and reviewing all legal documents, proposed legislation, regulations, revenue rulings, contracts, and forms for legal content. The division is the department's liaison with the state Department of Justice and assists the Attorney General's office in any litigation regarding revenue issues.

This division also monitors taxation at the federal level for impact on state tax revenue. It coordinates the exchange of tax information between the department and the Internal Revenue Service and other states' revenue departments. The division reviews tax information confidentiality laws and issues opinions to all employees concerning the confidentiality of revenue data. It also coordinates the implementation of new revenue laws and monitors the results in order to ensure the smooth functioning of new and existing administrative systems. Its duties also include responding verbally or in writing to the most difficult technical questions posed to this agency.

Legal assistance is provided to county officials in the administration of documentary stamp tax and the homestead exemption program. An up-to-date legal library is maintained within the department under the direction of the Legal Division.

## **Lottery**

The Lottery Division launched the Nebraska Lottery – the 37th Lottery in the nation – on September 11, 1993.

Initial lottery products consisted of instant ticket games which allow players to determine instantly if they have won a prize, and offer 1 in 5 odds of doing so. Planning began in October 1993 for the introduction of on-line games, such as the multi-state game Powerball, which began sales through Nebraska Lottery retail outlets on July 21, 1994.

Division personnel are organized into marketing, investigations, finance and accounting, and administrative units. The division's main offices are

located in Lincoln, with Claim Centers within department field offices in Scottsbluff, Grand Island, North Platte, Norfolk, and Omaha.

The Lottery Division recruits and licenses lottery retailers; develops, implements and reviews advertising and promotional campaigns; monitors lottery sales and collects net proceeds from lottery retailers; and develops necessary forms and procedures, rules, and legislation. The Lottery Division contracts for outside security, marketing, and game production services when necessary.

After prizes and expenses, lottery proceeds will be used to fund grants for special environmental projects, innovative education programs, and compulsive gamblers assistance – as specified by the Legislature.

## **Motor Fuels**

The Motor Fuels Division administers and regulates all Nebraska motor fuel tax programs, including motor vehicle fuels (gasoline and gasohol), diesel fuel, aircraft fuel, and compressed fuel. The division also administers the Petroleum Release Remedial Action Fee program.

Through our account representative structure, each licensee is assigned to an Account Representative who provides them personalized assistance in all aspects of motor fuel tax compliance. We also provide toll free WATS access for the convenience of all licensees.

The division also conducts field audits with staff assigned to Lincoln, Omaha, and Kearney.

## **Property Tax**

Property Tax Division is directed by the Property Tax Administrator. As of September 1, 1996, the powers and duties of the State Tax Commissioner relating to assessment, valuation and taxation of property transferred to the Property Tax Administrator. The Property Tax Administrator is appointed by the Governor, with approval by the legislature, for a six-year term.

The purpose of the Property Tax Division is to develop information, in various formats, that assists the administrators, payers and beneficiaries of the property taxes to make informed decisions concerning the quality of the assessment function of the property tax system in Nebraska.

The division provides legal, policy and assessment information through regulations, rulings, directives, standards, manuals and education, to the county assessors to ensure the uniform execution of the

property tax laws. The division provides advice concerning the uniform and proportionate valuation of real property. Additionally, information is provided to property owners concerning the level and quality of the assessment of property by each county.

The division is also responsible for determining assessable valuation of all property in each school district, used in the formula for state aid to school districts; valuation and distribution of centrally assessed property such as railroads, public service entities, railcar companies, and air carriers; administering the county data processing services for county assessors and treasurers administrative functions; and prepares schedules of values for motor vehicles subject to motor vehicle tax.

The division is comprised of staff located centrally at the Department of Revenue and staff located in six Nebraska cities. The staff provide assistance to the county assessors regarding level and quality of real property assessment methods to improve assessment practices and procedures.

## **Research**

The Research Division prepares revenue estimates and cash flow projections for use by the State Tax Commissioner and the Nebraska Legislature. Forecasting models have been developed by the Research Section and are updated periodically. Services provided by Wharton Econometric Forecasting Associates and Data Resources, Inc., are utilized in making forecasts of national trends that affect Nebraska's economic activity. This information is used by the Nebraska Economic Forecasting Advisory Board at their meetings to set General Fund revenue estimates.

The Research Division analyzes information and prepares reports regarding all tax programs administered by the department. Published reports include the Annual Report of the Nebraska Department of Revenue, the annual report of Aid to Local Governmental Subdivisions, and the Tax Expenditure Report. This division maintains a library of extensive research materials, and provides estimates of the fiscal impact of proposed legislation on state revenue.

The Research Division also allocates the state aid payments to counties, cities and natural resource districts under the provisions of the aid to local governments programs.

## **Revenue Operations**

Revenue Operations Division is responsible for receiving

and processing the monies and refunds for most tax programs administered by the Nebraska Department of Revenue. Revenue Operations Division is also responsible for the Taxpayers' Assistance in the Lincoln office. Specialized divisions, such as Motor Fuels, Charitable Gaming, and Lottery, each handle their own tax categories. The larger, broad-based tax programs, such as sales tax and income tax, have all tax applications, returns, reports, claims, and assistance processed by the Revenue Operations Division.

The division is organized into eight functional sections. These are Initial Operations, Validation, Clearance, Teleprocessing, Post Processing, Claims, Taxpayers' Assistance, and Records. All tax returns flow through an established processing cycle which utilizes the functions of each of the sections.

The Initial Operations Section receives all incoming documents through the mail or other receiving areas. Mail is removed from the envelopes and is sorted and batched. Returns are validated for remittances. Checks are microfilmed, endorsed, and sent to the Finance Division for accounting and deposit. Most mail received by the department flows through this section.

The majority of tax returns are sent to the Clearance Section where they are reviewed and edited for processing. Problems are resolved through internal research or communication with the taxpayers. Taxpayer written correspondence for business tax programs are also researched and answered by this staff.

After review, the tax returns and documents are routed to Teleprocessing where detailed information from each return is entered into the taxpayer's computerized account. Data is merged with preliminary data entered at the validation function to create a complete computerized record of each return received.

From data entry in Teleprocessing, the returns are sent to the Post Processing Section where errors are caught and resolved through computerized balance and edit

procedures and journal programs. Electronically filed tax returns are also monitored for errors. Errors are detected by staff and corrected using on-line video display terminals. These corrections may result in the issuance of notices of balance dues, or changes in refunds. Taxpayer written correspondence concerning income tax are researched and answered by this section.

Taxpayers' Assistance provides instructions on preparing state tax returns, application of state tax statutes, rules, regulations, and policies. The taxpayer receives specialized attention by making use of an automated telephone response system. The status of a current year individual income tax refund may be accessed through this system 24 hours a day.

After the errors have been resolved to the individual accounts, the returns proceed to Records Section where the returns are microfilmed for later retrieval, if necessary, and archival purposes. A computerized return indexing system is updated with location data for retrieval purposes. After microfilming, the returns are transferred to a long-term storage site and eventually destroyed according to a specified retention schedule.

The Claims Section handles refund requests outside the normal processing cycle and the applications for Homestead Exemption from property tax. Accounts are verified to ensure that the refund or exemption claimed is correct and complies with statutes and regulations.

## **Special Services**

Forms Design Section provides forms and publication design services to the department and its regional offices. Other office support services include purchasing and office supplies, security, telecommunication, transportation, forms and equipment inventory, office layout and design, and maintenance for the department's office machines and other equipment.